

**STATE OF NEVADA**  
**PERMANENT SCHOOL FUND**

**FINANCIAL STATEMENTS**

**FOR THE QUARTER ENDED MARCH 31, 2011**  
**(Unaudited)**

**KIM R. WALLIN, CMA, CFM, CPA**  
**STATE CONTROLLER**  
**CARSON CITY, NEVADA**

**KIM R. WALLIN,**  
**CMA, CFM, CPA**  
*State Controller*

**STATE OF NEVADA**



**OFFICE OF THE  
STATE CONTROLLER**

May 30, 2011

The Honorable Brian Sandoval  
Chairman, State Board of Finance  
101 N. Carson Street, Suite 1  
Carson City, NV 89701-4786

Dear Governor Sandoval:

Pursuant to NRS 387.013, I am pleased to provide you with the financial statements of the Permanent School Fund for the quarter ending March 31, 2011.

Sincerely,

A handwritten signature in cursive script that reads "Kim Wallin".

Kim R. Wallin, CMA, CFM, CPA  
State Controller

KRW:dt

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Department of Conservation	(2)
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**STATE OF NEVADA**  
**PERMANENT SCHOOL FUND**

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**STATE OF NEVADA**  
**PERMANENT SCHOOL FUND**

**BALANCE SHEETS**  
March 31, 2011 and 2010  
(Unaudited)

Exhibit A

<b>Assets</b>	<u>3/31/11</u>	<u>3/31/10</u>
Cash and cash equivalents	\$ 66,989,969	\$ 20,407,868
Accrued interest		
Investments	1,513,672	1,957,053
Treasurer	5,475	22,743
Total accrued interest	<u>1,519,147</u>	<u>1,979,796</u>
Receivables		
Land sales	-	86,000
Fines and penalties	601,518	762,679
Purchased interest	61,917	34,000
Total receivables	<u>663,435</u>	<u>882,679</u>
Investments		
U.S. Government securities	237,584,948	280,577,792
<b>Total Assets</b>	<u><u>\$ 306,757,499</u></u>	<u><u>\$ 303,848,135</u></u>
 <b>Liabilities</b>		
Due to (from) the Distributive School Account	\$ 1,439,987	\$ 5,496,900
Due to heirs	682,286	566,272
Total liabilities	<u>2,122,273</u>	<u>6,063,172</u>
 <b>Fund balances</b>		
Nonspendable: Permanent Fund Principal	304,635,226	297,784,963
<b>Total Liabilities and Fund Balances</b>	<u><u>\$ 306,757,499</u></u>	<u><u>\$ 303,848,135</u></u>

The notes to the financial statements and schedules are an integral part of this statement.

**STATE OF NEVADA**  
**PERMANENT SCHOOL FUND**

**STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**

For the Quarter and Nine Months Ended March 31, 2011  
(Unaudited)

Exhibit B

<b>Revenues</b>	<b>Quarter Ended 3/31/2011</b>	<b>Nine Months Ended 3/31/2011</b>
Fines - State Penal Laws		
Justice Courts	\$ 1,412,261	\$ 3,927,349
District Courts	189,377	492,049
Other Fines and Penalties	39,000	40,001
Total fines	1,640,638	4,459,399
Investment income (loss)	68,253	1,305,935
Land sales	118,288	255,776
Escheated estates	18,455	38,339
Miscellaneous	1,840	6,885
Total revenues	1,847,474	6,066,334
<b>Other Financing Sources (Uses)</b>		
Transfer (to) from Distributive School Account	(68,253)	(1,305,935)
Net change in fund balances	1,779,221	4,760,399
Fund balances, beginning of period	302,856,005	299,874,827
Fund balances, end of period	\$ 304,635,226	\$ 304,635,226

The notes to the financial statements and schedules are an integral part of this statement.

**STATE OF NEVADA**  
**PERMANENT SCHOOL FUND**  
**GENERAL**

Article 11, Section 3 of the Constitution of the State of Nevada provides that all estates that escheat to the state; proceeds from the sale of lands given or bequeathed under this section; and fines collected under the penal laws of the state shall be pledged for educational purposes only, and shall not be transferred to any other funds for other uses. The 1956 special session of the Legislature enacted Chapter 32, which provided for the creation of the State Permanent School Fund to account for the money accruing to the State of Nevada under Article 11, Section 3 of the State Constitution.

The Permanent School Fund is classified as a permanent fund in accordance with Governmental Accounting Standards Board Statement No. 34. This designation ensures that the corpus of the Fund will be preserved. All earnings on the Fund's assets are transferred to the Distributive School Account of the General Fund that apportions it among the several school districts of the state, in accordance with State Statutes.

The 1997 legislature added Nevada Revised Statutes 387.513 through 387.528. These statutes allow school districts to enter into guarantee agreements with the State Treasurer whereby the money in the Permanent School Fund is used to guarantee the debt service payments on certain bonds issued by the school districts. The amount of the guarantee for bonds of each school district outstanding, at any one time, must not exceed \$40 million. Bond guarantees at March 31, 2011 were:

<u>School District</u>		<u>Original Amount</u>		<u>Balance</u>
Carson City	\$	42,578,000.00	\$	33,034,000.00
Churchill		23,155,000.00		23,155,000.00
Douglas		24,250,000.00		19,385,000.00
Humboldt		2,950,000.00		2,950,000.00
Lincoln		6,750,000.00		5,922,000.00
Lyon		44,875,000.00		34,985,000.00
Mineral		4,425,000.00		3,105,000.00
Nye		42,900,000.00		35,690,000.00
Pershing		10,135,000.00		5,725,000.00
Storey		10,950,000.00		9,910,000.00
White Pine		4,825,000.00		3,890,000.00

## REVENUE SOURCES

The following schedule illustrates some of the potential revenue sources of the Permanent School Fund:

- Surplus on sale of unclaimed freight after charges of common carriers and warehousemen (NRS 108.430)
- Surplus on sale of property after charges of bailees for hire (NRS 108.460)
- Escheated estates (NRS 154.115)
- Fees of the State Land Registrar (NRS 321.065)
- All moneys accruing to the State of Nevada from sale of lands heretofore given or bequeathed, or that may hereafter be given or bequeathed, for public school purposes (Art. 11, Sec. 3)
- All fines collected under the penal laws of the state (Art. 11, Sec. 3)
- Fines imposed by courts-martial (NRS 412.086)
- Fines resulting from suits on excavations (NRS 455.050)
- All fines and penal ties for violations of the criminal provisions of the Unemployment Compensation Act (NRS 612.585)
- Penalties imposed on banks for failure to make certain reports (NRS 665.115)

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS

### Basis of Accounting:

Transactions are recorded on the modified accrual basis of accounting in accordance with generally accepted accounting principles.

### Treasurer's Interest Accrual:

For the quarter ended March 31, 2011, the Permanent School Fund's average balance in the State Treasurer's investment pool was \$8,177,747. Accrued earnings from the investment pool are transferred quarterly to the Permanent School Fund based on its proratable share of average daily cash balances.

For the quarter ended March 31, 2011, funds held by the State Treasurer earned interest at an effective rate of .36 percent.

### Investments:

Investments are stated at fair value, which approximates market value. Fair value is the amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

### Fund Balance:

Nonspendable fund balance cannot be spent, and represents the permanent fund principal which must remain in the fund in perpetuity under the State Constitution. Governmental Accounting Standards Board Statement No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions, is effective beginning with fiscal year 2011. This resulted in a change in fund balance terminology from reserved to nonspendable.

**STATE OF NEVADA**  
**PERMANENT SCHOOL FUND**  
**SCHEDULE OF INVESTMENTS**  
March 31, 2011

Schedule 1

<b>Fixed Income Securities</b>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Face Amount</u>	<u>Cost</u>	<u>Fair Value</u>
Fed. Farm Credit Bank	5.875	10/03/16	\$ 8,000,000	\$ 8,456,160	\$ 9,278,480
Fed. Farm Credit Bank	2.500	01/14/13	5,000,000	5,000,000	5,153,200
Fed. Farm Credit Bank	2.500	02/17/15	12,000,000	12,170,400	12,127,800
Fed. Farm Credit Bank	2.850	03/16/15	7,450,000	7,571,435	7,485,015
Fed. Farm Credit Bank	2.900	04/09/15	13,418,000	13,677,974	13,485,761
Fed. Home Loan Bank Note	4.750	12/12/14	7,000,000	7,107,100	7,707,560
Fed. Home Loan Bank Note	4.875	12/13/13	10,000,000	10,283,500	10,930,500
Fed. Home Loan Bank Note	4.875	12/14/12	13,850,000	15,131,125	14,802,049
Fed. Home Loan Bank Note	2.200	06/30/15	25,000,000	24,993,750	24,998,250
Fed. Home Loan Bank Note	2.200	07/15/15	20,000,000	20,000,000	19,958,600
Fed. Home Loan Bank Note	2.900	07/28/17	20,000,000	20,050,000	19,851,000
Fed. Home Loan Bank Note	1.820	08/24/15	11,000,000	11,000,000	10,838,190
Fed. Home Loan Bank Note	1.820	08/24/15	11,000,000	11,000,000	10,838,190
Fed. Home Loan Bank Note	1.820	09/30/15	21,000,000	21,000,000	20,640,060
Fed. Home Loan Bank Note	2.150	10/26/17	12,000,000.00	12,000,000	11,234,760
Fed. Home Loan Bank Note	0.750	12/21/11	17,000,000.00	17,066,640	17,054,230
Fed. Home Loan Mgt. Corp.	1.625	04/26/11	5,275,000.00	5,299,370	5,280,591
Fed. Home Loan Mgt. Corp.	1.125	04/25/12	15,800,000	15,943,780	15,920,712
Total Investments			<u>\$ 234,793,000</u>	<u>\$ 237,751,234</u>	<u>\$ 237,584,948</u>

**STATE OF NEVADA**

**PERMANENT SCHOOL FUND**

**SCHEDULE OF JUSTICE COURT FINES BY COUNTY**  
For the Quarter and Nine Months Ended March 31, 2011

<b>County</b>	<u>Schedule 2</u>	
	<b>Quarter Ended 3/31/2011</b>	<b>Nine Months Ended 3/31/2011</b>
Carson City	\$ 4,820	\$ 14,358
Churchill	31,605	74,251
Clark	842,056	2,309,681
Douglas	8,588	23,802
Elko	42,120	122,462
Esmeralda	10,433	49,070
Eureka	2,824	4,252
Humboldt	-	-
Lander	4,429	9,038
Lincoln	4,062	5,487
Lyon	17,917	50,383
Mineral	206	665
Nye	63,180	174,802
Pershing	11	701
Storey	-	-
Washoe	375,325	1,077,752
White Pine	4,685	10,645
Total	<u>\$ 1,412,261</u>	<u>\$ 3,927,349</u>

STATE OF NEVADA

PERMANENT SCHOOL FUND

SCHEDULE OF DISTRICT COURT FINES BY COUNTY

For the Quarter and Nine Months Ended March 31, 2011

County	Schedule 3	
	Quarter Ended 3/31/2011	Nine Months Ended 3/31/2011
Carson City	\$ 3,725	\$ 18,584
Churchill	1,683	4,223
Clark	73,650	181,966
Douglas	9,212	20,236
Elko	23,627	78,722
Esmeralda	-	-
Eureka	-	-
Humboldt	6,165	8,704
Lander	2,390	5,025
Lincoln	950	6,420
Lyon	2,006	6,429
Mineral	50	150
Nye	12,328	15,990
Pershing	222	3,378
Storey	-	-
Washoe	50,716	132,616
White Pine	2,653	9,606
Total	<u>\$ 189,377</u>	<u>\$ 492,049</u>

**STATE OF NEVADA**  
**PERMANENT SCHOOL FUND**  
**SCHEDULE OF INVESTMENT INCOME EARNED**  
For the Quarter Ended March 31, 2011

Schedule 4

	<b>Rate of Interest</b>	<b>Face Amount</b>	<b>Investment Income</b>
Interest on investments:			
Fed. Farm Credit Bank	4.875 %	\$ 7,000,000	\$ 44,552
Fed. Farm Credit Bank	5.875	8,000,000	117,500
Fed. Farm Credit Bank	2.500	5,000,000	31,250
Fed. Farm Credit Bank	2.770	12,000,000	83,100
Fed. Farm Credit Bank	2.850	7,450,000	53,081
Fed. Farm Credit Bank	2.900	13,418,000	97,281
Fed. Home Loan Bank Note	2.200	25,000,000	137,500
Fed. Home Loan Bank Note	4.750	7,000,000	83,125
Fed. Home Loan Bank Note	4.875	10,000,000	121,875
Fed. Home Loan Bank Note	4.875	13,850,000	168,797
Fed. Home Loan Bank Note	2.200	20,000,000	110,000
Fed. Home Loan Bank Note	2.900	20,000,000	145,000
Fed. Home Loan Bank Note	1.820	11,000,000	50,050
Fed. Home Loan Bank Note	1.820	11,000,000	50,050
Fed. Home Loan Bank Note	1.820	21,000,000	95,550
Fed. Home Loan Bank Note	2.150	12,000,000	64,500
Fed. Home Loan Bank Note	0.750	17,000,000	31,875
Fed. National Mortgage Assoc.	2.125	16,000,000	22,667
Fed. National Mortgage Assoc.	1.800	25,000,000	92,500
Fed. Home Loan Mgt. Corp.	1.625	5,275,000	21,430
Fed. Home Loan Mgt. Corp.	1.125	15,800,000	32,588
Fed. Home Loan Mgt. Corp.	1.875	26,000,000	90,729
Fed. Home Loan Discount Note	0.080	7,000,000	62
Fed. Home Loan Discount Note	0.060	7,000,000	11
Fed. Home Loan Discount Note	0.060	7,000,000	70
Fed. Home Loan Discount Note	0.080	7,000,000	109
Fed. Home Loan Discount Note	0.101	6,000,000	370
Fed. Home Loan Discount Note	0.100	9,935,000	607
Fed. Home Loan Discount Note	0.090	17,065,000	939
Treasurer's interest distribution			5,474
Total interest			1,752,642
Change in fair value of investments			(1,681,487)
Less: custodial fees			(2,902)
Net investment income			\$ 68,253